

# **FISCAL MEMORANDUM**

## **SB 3830 – HB 3456**

February 25, 2008

**SUMMARY OF AMENDMENT (014100):** Adds fencing supplies and materials, including but not limited to wire, panels, posts, and gate fasteners, to the list of items proposed to become exempt from state and local sales tax, when such items are used for agricultural purposes.

### **FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue - \$88,000

Decrease Local Revenue - \$28,300

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Exceeds \$578,200**

**Decrease Local Revenue – Exceeds \$185,800**

#### **Assumptions applied to amendment:**

- The estimated decrease of state revenue attributable to the original language of the bill was \$88,000 ( $\$1,257,300 \times 7.0\% = \$88,011$ ) per year.
- The estimated decrease of local government revenue attributable to the original language of the bill was \$28,300 ( $\$1,257,300 \times 2.25\% = \$28,289$ ) per year.
- According to the Department of Revenue (DOR), and based on data from the 2002 U.S. Census of Agriculture, there were 87,500 farms in Tennessee.
- The number of farms has remained relatively constant.
- According to DOR, and based on a study of fencing costs for Nebraska cattle farms, the average fencing cost for constructing a new fence is approximately \$1,500 per farm.
- Ten percent of farmers (8,750) purchase fencing and related materials for fence building or fence repair each year.
- The average expenditure is estimated to be at least \$800 per farmer.

- Taxable sales are estimated to exceed \$7,000,000 (8,750 farmers X \$800 = \$7,000,000) per year.
- The current state sales tax rate is seven percent.
- The total decrease of state revenue is estimated to exceed \$578,000 ( $[\$7,000,000 \times 7.0\%] + \$88,000 = \$578,000$ ) per year.
- The local option sales tax rate is estimated to average 2.25 percent.
- The total decrease of local government revenue is estimated to exceed \$185,800 ( $[\$7,000,000 \times 2.25\%] + \$28,300 = \$185,800$ ) per year.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc